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FISCAL IMPACT STATEMENT

LS 7393 **NOTE PREPARED:** Jan 19, 2013
BILL NUMBER: SB 560 **BILL AMENDED:**

SUBJECT: Utility Transmission.

FIRST AUTHOR: Sen. Hershman **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X GENERAL** **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill requires the Office of Utility Consumer Counselor (OUCC) to investigate a utility's petition for a transmission, distribution, and storage system improvement charge (TDSIC) and report its activities to the Indiana Utility Regulatory Commission (IURC).

The bill authorizes the Counselor to request additional funding from the State Budget Agency (SBA).

The bill allows a utility to designate a test period for the IURC to use in determining an increase in the utility's rates and charges. It provides that a utility may impose a temporary increase in rates and charges while its rate case is pending before the commission. It requires a utility to provide a refund to customers if the temporary rates and charges exceed the rates and charges approved by the commission. It authorizes a utility that provides electric or gas service to petition the commission to recover TDSIC costs.

The bill allows the IURC to grant a new electric transmission owner authority to operate as a public utility in Indiana. It provides administrative guidelines to IURC.

Effective Date: Upon passage.

Explanation of State Expenditures: *Office of Utility Consumer Counselor*: The OUCC will incur additional cost related to TDSIC petition investigation. The bill allows OUCC to submit a request for additional funding to the SBA.

Indiana Utility Regulatory Commission: The petition for a transmission, distribution, and storage system improvement charge (TDSIC) rate has to be approved by the IURC. The bill provides additional responsibilities to the IURC relating to the review and approval of a TDSIC rate increase to the IURC. The bill also provides new process under which the IURC would approve new electrical utilities if certain conditions are met.

Any increase in administrative costs to the IURC or OUCC will be offset by public utility fees. The IURC and the OUCC are funded by public utility fees. Each public utility must pay equal to 0.15% of its gross intrastate operating revenues for the preceding calendar year. The actual fee is based on the budgets of IURC and OUCC. At the end of the fiscal year, if the total public utility fees in the Public Utility Fund plus the unspent balance of the Fund exceeds the total appropriations for the IURC and the OUCC (plus a $250,000 contingency fund), then the IURC must compute each utility's share of the excess. This share is then deducted from any subsequent payment of the utility's public utility fees.

Electric Utility Authority: The bill defines "new electric transmission owner" as an entity organized to primarily operate an electric utility in Indiana and that on the date of its incorporation or organization, does not own, operate, or maintain an electric transmission facility.

The bill allows the IURC to grant a new electric utility authority to operate as a public utility in Indiana if the IURC makes the following findings:
(1) The new electric transmission owner has the financial, managerial, and technical capability to construct, own, operate, and maintain an electric transmission facility;
(2) The new electric transmission owner has the ability and intent to comply with all statutes, rules, and regulations enforced by the commission;
(3) The new electric transmission owner has the intent to construct, own, operate, and maintain an electric transmission facility that is under consideration for selection in a regional transmission plan; and
(4) The new electric transmission owner has provided written notice of its request for authority under this section to each incumbent electric transmission owner that may connect its existing electric transmission facility to the new electric transmission facility of the new electric transmission owner.

The bill provides that the IURC may consider the creditworthiness of the new electric utility in regards to granting authority to the utility. It provides further guidelines related to granting the authority to operate.

The bill further provides procedures on the potential contract between the new electrical utility and an incumbent electric utility. It requires IURC to resolve any dispute.

<u>Explanation of State Revenues:</u> *Utility Rates*: The bill provides that a utility may impose a temporary and, if approved, an ongoing increase in rates and charges to recover TDSIC costs. The IURC may not approve a TDSIC that would result in an average aggregate increase in a public utility's total revenues by more than 3%.

The bill also allows the IURC to approve temporary rate increases while a petition to change the rates is being reviewed. The temporary rate would be 75% of the permanent rate proposed by the utility. If a permanent rate is approved that differs from the temporary rate, the utility would have to reconcile using a credit rider or surcharge, as applicable.

To the extent that the provisions of this bill result in a increase of utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The potential fiscal impact is indeterminable.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: Any increase in the cost of electricity or natural gas could lead to increase in local utility expenditures.

Explanation of Local Revenues:

State Agencies Affected: OUCC, IURC, SBA.

Local Agencies Affected: Local Units of Government.

Information Sources:

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